

MINUTES
Policemen's Pension and Trust Relief Fund
Thursday, March 12, 2009
9:00 a.m.

On Thursday, March 12, 2009 at 9:00 a.m., a meeting of the Board of Trustees of the Policemen's Pension and Relief Fund of the City of Little Rock, Arkansas was held in the Sister Cities Conference Room at City Hall.

PRESENT:	Farris Hensley	-Secretary
	Sara Lenehan	-Treasurer
	Mike Lowery	-Member
	Lee Harrod	-Member
	Brad Furlow	-Member
	Albert Miller	-Member

ABSENT:	Bruce Moore	-Chairman
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Also present were Mr. Larry Middleton, Mr. Alex Jordan and Mr. Bo Brister of Stephens Capital Management (Financial Consultants for the Fund), Mr. Kevin Smith with Prudential Real Estate Investors, Mr. John Peace of Dover Dixon Horne Law Firm (Legal Consultants for the Fund), Mr. Roger Smith, (Government Relation Lobbyists for the Fund), Mrs. Sharon Phillips and Mrs. Kathy Lindsey (Pension Fund Administrative Staff), Mr. Stephen Young (Retired Member).

In the absence of Mr. Moore, Mr. Hensley suggested that for different Board members to gain experience, they be allow to chair meetings. There were no objections, and Mr. Harrod called the meeting to order at approximately 9:10 a.m., certifying that a quorum of the Board was present, and that the media had been properly notified in a letter of March 5, 2009 to the Arkansas Democrat-Gazette.

Mr. Smith reported concerning legislative matters, and said that the Qualified Domestic Relations Order (QDRO) Bill, (Act 31), and the Bill to allow confiscated goods to be sold via the internet, (Act 32), have now passed both Houses, and are awaiting the Governors signature. A Bill that deals with ethics reporting, for members of Local Municipal Police Pension Funds, and a Bill to preserve current revenue streams, when Local Municipal Fire, and Police Pension Funds merge with the Local Police and Fire (LOPFI) State Pension System have both now become Acts, however he did not have the Act numbers readily available. He (Mr. Smith) told the Board that a "Shell" Bill had previously been filed, and is currently awaiting specific language to provide annual cost of the living adjustments (COLA) for members of local police pension funds that wish to voluntarily merge with LOPFI.

Mr. Harrod told the Board that several members had asked him if a possibility currently exists to merge a closed Local Police Pension Fund with APERS, rather than LOPFI. Mr. Smith explained that there is currently nothing legally established regarding the matter, however it was his opinion that a statutory change would be needed in order to merge with APERS.

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Mr. Smith reported regarding traffic citations issued by other agencies within a corporate city limits, and said that Arkansas State Statute 20-50-603 authorizes them to be set in any District Court in the county where the violation occurred.

Mr. Alex Jordan introduced Mr. Kevin Smith who is with Prudential Real Estate Investors (PREI), and is a real estate portfolio manager for the Fund. Mr. Smith reported that this will be yet another negative year for Real Estate, by possibly as much as a negative seven percent (-7%), to a negative twelve (-12%), and with total return value declines of as much as a negative thirteen percent (-13%), to a negative eighteen percent (-18%). He (Mr. Smith) explained that they have held thirteen (13) meetings at various locations around the country since the first of the year in regard to economic conditions, and said that the Little Rock Police Pension Plan had declined by approximately seventeen (17%) last year while during the same period of time some other plans declined by as much as twenty-five percent (25%) to thirty percent (30%). He said that although the Funds account is suffering short term, it is important to remember that long-term returns have been very good.

Mr. Jordan gave a February 2009 financial report, and said that on February 28, the market value of the total Fund was \$43,581,660. This represents a decrease in the account balance of (\$2,695,142) since January 31, 2008. The component of this change was income of \$84,288.72. There were net contributions/withdrawals of (\$698,611.87). Additionally, \$740,854.05 was held in the Metropolitan Bank Checking Account. The Funds overall market rate of return for the month of February 2009 was a negative (-4.39%), and a negative (-9.80%) year to date. As of February 28, 2009, \$25,005,068.05 was allocated to DROP.

Mr. Middleton reported that the Financial Markets have experienced the worst declines since The Great Depression, and explained that they are researching various ways to structure the Funds portfolio to meet fiduciary obligations, and the cash flow requirements. Mr. Middleton suggested that informational regarding the Funds current financial status, and related management aspects, be given to members of the Fund. He said that a lot of misleading information is in the market place, and that such information might be beneficial to all members in general. Upon further discussion, the Board decided to schedule such a meeting, for all members of the Fund, and ask the Funds financial consultants to make a detailed presentation, and answer all questions of concern regarding financial aspects of the Fund.

There was a significant discussion regarding decreases in the Funds exposure to the equity markets in general over the past several months, with the most recent being in the international equity markets. Also discussed was the impact that the DROP has on overall Fund assets, as well as a contingency plan for the Funds financial portfolio given future increases or declines in the equity financial markets. In general terms, the contingency plan outlined by Mr. Middleton, and Mr. Jordan was to reduce the Funds equity exposure in the event of a significant increase or significant decrease in the overall equity markets.

Following a short break, Mr. Harrod called the meeting back to order for approval of the February minutes. Mrs. Lenehan asked that an amendment be made to page four (4), paragraph one (1), and to substitute the name of Mr. Peace for that of Mr. Carreiro, because the voice audio indicated

that it was Mr. Carreiro, not Mr. Peace who responded to the question. Therefore the sentence would read as following: "Mr. Hensley referred the question to Mr. *Carreiro*, who said that he believed that it would be considered a contractual obligation of the City."

Mr. Miller made a motion to approve the minutes with the above referenced amendment. Mrs. Lenehan seconded the motion and it passed unanimously.

Mr. Peace reported concerning the past benefit increase lawsuit, and said that Mr. Overstreet had completed the stipulation of facts, and has forwarded them to the plaintiffs' attorneys. Once they have completed their work, they will then be presented to the Judge for a ruling. He (Mr. Overstreet) said that at the appropriate time, an affidavit would be needed from Mr. Hensley and Mr. David Clark (PRB Director).

The Board had previously asked Mr. Peace to research the matter, and determine a date that probation fees were included in fines and forfeitures, therefore establishing an effective date that the Pension Fund should have been receiving the ten percent (10%). At the current meeting he reported that Arkansas State Statute 16-13-701 had been amended in 1995 to clearly include probation fees.

In the absence of Mr. Moore, Mrs. Lenehan reported concerning the total calculated amount representing ten (10%) of probation fees for the past three years (three year state statute of limitations). She said that approximately sixty three thousand dollars (\$63,000) had accrued during the three years period, and that Mr. Moore proposed to pay the total amount in two (2) installments, one half (1/2) during 2009, and the remaining one half (1/2) in 2010.

During discussion, Mr. Harrod suggested that the Board ask the City for a total accounting in regard to ten percent (10%) of probation fees from 1995 to current, because of their legal obligation since that date to have contributed that amount to the Pension Fund. Mr. Hensley directed a question to Mrs. Lenehan in regard to the annual budget for the City of Little Rock. She (Mrs. Lenehan) responded that it was currently (\$194,000,000.00), however the City had to borrow money from the waste disposal fund budget to balance the general fund budget. Mr. Lowery then asked Mrs. Lenehan how much money the City currently has in their emergency reserve fund account. Her response was approximately \$9,400,000.00, but that it was for emergencies such as natural disasters.

Mr. Hensley made a motion for Mrs. Lenehan to provide a calculated total sum representing ten percent (10%) of the total amount of probation fees collected from 1995 to current. Mr. Harrod seconded the motion and it passed unanimously, with an exception of Mrs. Lenehan who abstained from the vote. Mrs. Lenehan told the Board that she would begin the process, but explained that it will take some time to accomplish the task.

Mr. Hensley made a motion for Mr. Peace accompanied by a Stephens Financial representative, to address the City of Little Rock Board of Directors, and present to them financial information in regard to declining Pension Fund assets, and the overall situation of the Fund. And, to begin with seeking their approval to pay the previously referenced \$63,000. Mr. Harrod seconded the motion and it passed unanimously.

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Mr. Peace addressed a previously discussed matter regarding Pension Benefit payments potentially being a legal obligation of the City, and said that although he was not prepared at that time to fully address the matter, he could say that if this, the City were a private corporation, then it would be contractual obligation of the company to pay pension benefits regardless of unfounded liability. Mr. Peace was asked to research the matter in regard Municipal Pension Funds, and report at the April meeting.

Mr. Hensley said that he did not intend to be alarming, but wanted to be clear in regard to actions taken during the current meeting, because everyone is hopeful that the financial markets will rebound as they always have historically; thus providing a solid future financial base for the Pension Fund. He however, believes that it is the responsibility of the Board to explore all options, and have available contingency plans.

Mrs. Lenehan submitted copies of the un-audited balance sheet report for December 2008, January 2009, and year-to-date through February 28, 2008. Losses to the plan through February 28, 2009 were (\$4,955,198). The report indicated that on February 28, 2009, the total account fund balance was approximately \$44,394,783 of which \$25,005,068.05 was allocated to DROP. The net loss for the month of February was (\$2,081,972).

Also submitted were copies of the February 2009 expense and legal fee report. Total expenditures excluding benefit related expenses, were \$4,058.95 for the month of February, and \$6,519.12 calendar year through February 28, 2009. Legal fees totaled \$5,560 year to date through February 2009.

Following review of the February financial reports, and expense reports, Mr. Harrod made a motion to approve them as submitted. Mr. Miller seconded the motion and it passed unanimously.

When asked by Mr. Harrod, when the Pension Office distributes the Police Supplement, and Future Police Supplement payment to members; Mrs. Lenehan explained that it is as soon as they are received from the State Fire and Police Pension Review Board (PRB), which is generally in August.

Matters regarding DROP interest for calendar year 2008 and calendar year 2009 were tabled until April.

Matters relating to Tax Increment Funding (TIF) were tabled until April to allow time for Mrs. Lenehan to discuss the issue with Mr. Moore.

Board members were informed that Board Positions one (1), currently held by Mr. Hensley, Position three (3), currently held by Mr. Harrod, and Position five (5), currently held by Mr. Miller are up for re-election. Mr. Hensley and Mr. Harrod indicated that they will seek re-election, however Mr. Miller indicated that he would not be seeking re-election due to the fact that he will be moving out of town in the next few months. Mr. Moore will be issuing a memorandum seeking nominations, with a deadline set prior to the April 2009 meeting, at which time election ballots will be mailed to all members, with a closing date prior to the May 2009 meeting.

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Mr. Harrod addressed the matter concerning the upcoming Annual Conference and Educational Seminar of the National Conference on Public Employee Retirement Systems (NCPERS). He said that given the current financial concerns of the Pension Fund, it was his opinion that members of the Local Board should not be sent this year, and that upon his return Mr. Hensley who is sent by the PRB could provide a report to the Local Board. Board members were in agreement with Mr. Harrod, and there was no further discussion.

Mr. Furlow made a motion to remove Mr. R.E. Brians who passed away on February 15, 2009 from the pension roll, approve a \$6,500 death benefit, and extend the Boards condolences to his family. Mr. Miller seconded the motion and it passed unanimously.

Mr. Hensley informed the Board that Mr. Steve Young has been Working on a website blog, and once completed it will be for the use, and benefit of all Police Pension Fund members. He said that it remains under construction, and once completed, he (Mr. Hensley) will provide complete information to members. Mr. Young explained that the blog website will allow members to post comments, request or to make suggestions, and can be utilized in a variety of ways.

Mrs. Lenehan told the Board that the Internal Revenue W-9 forms earlier presented to Board Members do not need to be completed since the City has each individual Board member's information on file.

Upon conclusion of Pension Board business, Mr. Miller made a motion to adjourn the meeting. The motion received a second by Mr. Furlow, and meeting adjourned at approximately 11:47 a.m.

Respectfully Submitted,

Farris Hensley